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10/66
9 January 1957
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DCP WORK SHEET

SUBJECT: Creation of Port Said Free Zone.

CLEARANCES

1. (BEGIN OFFICIAL USE ONLY) The information in this worksheet is derived from unclassified published sources.

SUMMARY OF REPORT

2. On 20 December 1956, the Egyptian Government declared the city of Port Said to be a Free Zone, exempt from customs and other duties. This Zone would include the entire city and would not be limited to the port itself.

REPORT

3. The 31 December 1956 issue of the Export Trade and Shipper carried the following item:

Cairo, December 20--The Egyptian Government today reaffirmed its decision to make Port Said into a "free harbor," a duty-free commercial zone exempt from customs and other duties. The Minister of Commerce, Mohammed Abu Nossier, declared today: "The Egyptian Government proposes to make the whole of Port Said into a free zone." He also announced that an annual trade fair would be held in the future.

4. Background information concerning these arrangements was provided in the issue of Beirut's Le Commerce du Levant dated 17 October 1956:

Port Said will become a Free Zone, exempt from customs and taxes in the same fashion as Trieste. It was officially announced that a law had been prepared for the Minister of Finance and would be published over the signature of the President of the Republic, creating the Free Zone of Port Said.

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The entire city of Port Said and not only the port will be included in the Free Zone. The customs barrier will be established at the city limits. Port Said will also become a special entrepot in which travellers transiting the Suez canal can find merchandise from all over the world at unusual prices. Port Said can also become a permanent transshipment point for the Middle East. These countries will be able to obtain goods through the Free Zone without the price mark-up which would otherwise be imposed.

Official circles have stated that this project had long been contemplated but was only made possible by the canal nationalization.

5. This article had been preceded by an item in the 10 October issue of Le Commerce du Levant which stated that the Free Zone plan involved establishment of industrial facilities, assembly warehouses and export-import facilities similar to those of Tangier. (END OF-FICIAL USE ONLY.)

COMMENT

6. (BEGIN CONFIDENTIAL) Creation of this Free Zone would probably result in a shift of part of Beirut's transit trade to Port Said. The lack of Egyptian controls on trade with the Bloc would facilitate diversions not only to Black Sea ports but also to the Communist Far East.

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CIA DCP Representative

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